

NTS Charging Methodology Forum (NTSCMF) Minutes
Tuesday 11 January 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Adam Bates	(AB)	South Hook
Alex Nield	(AN)	Storengy
Alsarif Satti	(ASa)	Ofgem
Andrew Pearce	(AP)	BP
Anna Shrigley	(ASh)	ENI
Anna Stankiewicz	(ASt)	National Grid
Carlos Aguirre	(CA)	Pavilion Energy
Chris Wright	(CW _r)	Exxon Mobil
Colin Williams	(CW _i)	National Grid
Daniel Hisgett	(DH _i)	National Grid
Daniel Wilkinson	(DW)	EDF Energy
Dave A Bayliss	(DAB)	National Grid
Davide Rubini	(DR)	Vitol
Debra Hawkin	(DH _a)	TPA Solutions
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Joseph Glews	(JG)	Ofgem
Julie Cox	(JC _x)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJo)	National Grid
Lauren Jauss	(LJa)	RWE
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Waters Wye Associates
Nigel Sisman	(NS)	Sisman Energy Consulting
Oliver Weston	(OW)	Ofgem
Phil Lucas	(PL)	National Grid
Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	BBL

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ntscmf/110122>

Please note that NTSCMF meetings will be quorate where there are at least six participants attending, of which at least two shall be Shipper Users and one Transporter is in attendance.

1. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

1.1. Approval of Minutes (02 November 2021)

EF advised, following an amendment request for some points of clarification from Nigel Sisman (NS), the minutes have been republished on 07 January 2022.

The updated minutes were accepted by Workgroup and approved.

1.2. Approval of Late Papers

EF highlighted one late paper for the Long-Term Revenue Forecasts agenda item and noted that late papers representing presentation of information, (regular data reporting), might be tolerable, however, late papers where parties will need to express views and form opinions from constituencies must be provided in good time in order to allow consideration ahead of meetings.

EF advised that from the February 2022 meeting there will be a more robust governance process surrounding late paper submissions where Workgroup will be asked to comment and formerly asked if they wish to consider any late papers.

1.3. Review of Outstanding Actions

0107: National Grid (CW) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/non-TS revenue services.

Update: Colin Williams (CWi) referred to the update provided at last months meeting and asked Workgroup if they had any additional reflections to discuss. He added it is now time to reflect and unless there is anything further on this action, he suggested it is closed.

JCh recalled there was some discussion on how some of the flows in the diagram presented at the previous meeting were not compliant. CWi clarified this is captured within the NTSCMF Issues Tracker and that any further conversations as to whether or not it could change is a separate element to this particular action. **Closed**

0110: National Grid (CWi) to provide an update on increased Shrinkage costs and the timing effect on future prices.

Update: No further information to provide. **Closed**

1101: National Grid (CWi) to provide an update of the bad debt process from a transportation and balancing costs perspective.

Update: CWi explained that the information to cover this outstanding action was provided to a previous *Modification 0789 - Energy Balancing Arrangements During the Operation of a Supplier Undertaking to Transporters* Workgroup, the presentation slide has been extracted from that Workgroup and is provided in the material presented for this outstanding action and can be viewed on the meeting web page: <https://www.gasgovernance.co.uk/ntscmf/110122>

Timeline Associated to Balancing Billing:

M	Residual Balancer buy action taken
M	NGG settlement of buy trade required with ICE Endex at D+2
M+2	Energy Balancing Invoices (EBIs) issued to Shippers at M+23 business days for their cash out charges and balancing neutrality charges in month M
M+2	Shipper settlement due for EBIs from month M at M+35 business days
M+5	Unpaid amounts from EBIs in respect of month M smeared to all other Users on M+3 EBIs which are issued at start of M+5
M+5	Unpaid amounts from month M are recovered from all other Shippers in mid-late M+5 (35 business days after the end of M+3)

Closed

Action 0112: Workgroup participants to review the Issues Tracker and email Joint Office with any comments.

Update: EF confirmed no comments have been received. **Carry Forward**

Action 0212: FCC Methodology: National Grid (LJo) to consider if the Exit graph, (FCC Original (2020/21) v Revised Methodology (2021/22): Gas Year Oct 20 – Sep 21 - EXIT), has been impacted by Covid.

Update: Laura Johnson (LJo) advised the information provided in the material for this outstanding action and action 0312 also provides a comparison of the 2021/22 Gas Year if the Exit FCC was annually created compared to monthly.

LJo confirmed that the data has been relatively stable over previous years, the difference between the actual flow for the previous 3 years is less than 1% each gas year.

Using this as a forecast, LJo noted that National Grid do not think a COVID-19 related adjustment will need to be accommodated into the FCC Methodology for the next Gas Year.

Closed

Action 0312: FCC Methodology: National Grid (LJo) to consider if the graphs can be presented in a lower granularity, such as DN's vs Power Stations.

Update: LJo provided an update and explained the material she will present is the same structure for Entry and Exit, based on what was previously shown in December 2021.

The graphs, which can be seen in detail in the presentation located here, <https://www.gasgovernance.co.uk/ntscmf/110122>, are shown in a lower level of granularity in order to satisfy this action.

The graphs shown on slides 5-8 are comprised of the following elements:

- Compared actuals for Gas Year 2020/21 to FCC Methodology used for Gas Year 2021/22 applied retrospectively to Gas Year 2020/21
- Compared the actuals for the proportion of Gas Year 2021/22 that we currently have available to FCC Methodology used for Gas Year 2021/22.

03/12 Sector specific differences in Entry using Revised FCC Methodology (2021/22) vs actuals: Oct 20 Sept 21 - Slide 5

This graph shows there is little difference between the Forecast (Revised FCC) and the Actual between the different sectors.

03/12 Sector specific differences in Entry using Revised FCC Methodology (2021/22) vs actuals: Oct 20 Sept 21 - Slide 6

The results can be seen for Exit. LJo noted the GDN is slightly different.

03/12 – Sector specific differences in Entry FCC – Oct 21 onwards - Slide 7

This slide provides the same information for Entry but looking at year to date from October 2021.

03/12 – Sector specific differences in Exit FCC – Oct 21 onwards - Slide 8

This slide provides the same information for Exit but looking at year to date from October 2021.

When Julie Cox (JCx) commented that the Exit Capacity Planning Guidance is the document that should help Users to understand this, LJo confirmed that National Grid are exploring this with the GDNs.

LJo also clarified that this information will be regularly presented over future NTSCMF meetings.

Exit FCC comparison if calculated Annually compared to Monthly - Slide 9 & 10

LJo explained this slide shows the Exit FCC methodology for year 2021/22 and shows what the difference would be if it is calculated on a monthly basis rather than annually as is the current process.

LJo confirmed National Grid are proposing to publish monthly FCC calculations for Exit which will align with current practice for Entry.

Slides 11 and 12 show the current methodology for Entry FCC and Exit FCC.

The proposed Exit FCC Methodology, (monthly calculation), can be seen on Slide 13.

JCx said that the challenges with the GDNs is that there should be no difference between the actual and FCC and that it needs to be clear, if diverting from the Exit Capacity Planning Guidelines, there needs to be an understanding as to why, if bookings are being made above 1in20 peak, National Grid should be asking why.

FCC Methodology Review Timeline – Slide 14

LJo explained, to comply with the timelines for FCC Methodology the consultation needs to start straight after the March 2022 NTSCMF. Therefore, discussions will need to be concluded before 01 March 2022 if the FCC Methodology needs to be changed for the next gas year. The changes will need to be proposed in February 2022.

Closed

Action 0412: St Fergus Compression Costs: National Grid (CWi) to investigate the extent to which the out-turn compression cost may vary from forecast and the effect on the SO charges.

Update: CWi advised, in light of the impact to the Shrinkage costs which are influenced through gas prices, any deviation from the forecast in either direction is consolidated through the SO 'K' value and he confirmed there is no ring fencing.

JCx advised she would like to know what happens rather than the extent, she said it needs worked examples. CWi clarified the formula year is yet to finish and agreed to provide some illustrations to show for next month.

A request was made to add a dedicated conversation on St Fergus compression on to the February 2022 Agenda, (for timescales (springtime) longer term compression investment discussions).

Closed

1.4. Modifications with Ofgem¹

Alsarif Satti (ASa) provided an update for *Modification 0765 - New retrospective debit and credit charges to reflect changes to the treatment of Entry Capacity Revenue between October and December 2020* and advised the Publications and Updates Timetable has been updated with a 28 January 2022 expected decision date.

1.5. Pre-Modification discussions

None to discuss.

2. Workgroups

2.1. 0796 – Transition to the Central Switching Service and the Retail Energy Code v3.0

(Due to report to Panel 17 February 2022)

<https://www.gasgovernance.co.uk/0796>

¹ A copy of the expected publication dates timetable can be found at: <https://www.ofgem.gov.uk/publications-and-updates/code-ModificationModification-proposals-ofgem-decision-expected-publication-dates-timetable>

3. Issues

3.1. Industry Issues Tracker Update

EF referred Workgroup to the latest version of the NTSCMF Issues Tracker which can be found here: <https://www.gasgovernance.co.uk/ntscmf/> and requested Workgroup to review it ahead of the next meeting in February 2022.

4. Forecasted Contracted Capacity (FCC)

4.1. FCC Methodology

Please refer to combined actions update 0212 and 0312 from agenda item 1.3.

4.2. FCC Monitoring

Dave A Bayliss (DAB) provide an update to the routine reporting of the FCC Methodology.

Full details can be found in the published presentation here: www.gasgovernance.co.uk/ntscmf/110122.

DAB explained the report shows comparisons of FCC forecasts and Revenue forecasts for this formula year to see if on track or not.

Entry Capacity & Revenue FY22 – at November 2021

DAB advised there are some locational differences in terms of where the gas was booked, the same amount of gas was forecast, but it came in via LNG. That is why the November FCC is accurate but the net position year to date is slightly out.

Exit Capacity & Revenue FY22 – at November 2021

DAB explained the actual bookings from DNs is slightly higher than the forecast.

In terms of Revenue, some offsetting in terms of non-obligated capacity bookings can be seen. National Grid are currently discussing with GDNs to understand their booking profile.

General Non-Transmission & St Fergus Compression Revenue FY22 – at November 2021

DAB explained the year to date is just £4m under collection, which is pretty close to the forecast.

Questions:

Nick Wye (NW) asked with reference to the slides on Entry, why the revenue has fallen due to the predominance of LNG. He added that it is no surprise to see revenues continuing to be lower than anticipated revenues and that National Grid do have the ability to enact the RRC if wish to do so. NW asked if there is a trigger variance which may encourage National Grid to enforce an RRC.

DAB advised there is no defined value to trigger an RRC, National Grid continue to track and monitor. He added that if National Grid were to implement an RRC, they have to provide 2-months' notice.

No more questions.

5. Long Term Revenue Forecasts

CWi advised this is a standard agenda item and that he is looking to provide a more charging centric revenue forecast going forward.

6. Next Steps

EF confirmed the next steps to be:

- Workgroup participants to review the Issues Tracker
- National Grid will consider the discussion points from this meeting and feedback to Workgroup in February 2022.

7. Any Other Business

7.1. Shorthaul Arrangements

CWi advised that due to the new Shorthaul Arrangements in place since October 2021 there is one element that may require a Modification with regards to Conditional Discount, which would require a small change to one paragraph.

CWi advised this is advanced notice of his intention to hold a pre-Modification discussion at the next NTSCMF in February 2022. This Modification would not have any impact to processes, just clarification around the notification.

7.2. Jeff Chandler

JCh wished to highlight to Workgroup that SSE are in receipt of a letter from National Grid advising that their directly connected sites would start to be charged for odourisation of gas which was quite a surprise to receive. He advised he wanted to raise awareness to Industry in case other Shippers receive a similar letter but also to understand what is driving this letter.

JCh advised he is in discussions with National Grid regarding this matter and to identify what the driver is for the letter being issued.

8. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 01 February 2022	5pm 21 January 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 March 2022	5pm 18 February 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 April 2022	5pm 25 March 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 03 May 2022	5pm 22 April 2022	Via Microsoft Teams	Standard Workgroup Agenda

10:00 Tuesday 07 June 2022	5pm 27 May 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 05 July 2022	5pm 24 June 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 02 August 2022	5pm 22 July 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 September 2022	5pm 26 August 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 04 October 2022	5pm 23 September 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 01 November 2022	5pm 21 October 2022	Via Microsoft Teams	Standard Workgroup Agenda
10:00 Tuesday 06 December 2022	5pm 25 November 2022	Via Microsoft Teams	Standard Workgroup Agenda

Action Table (as of 07 December 2021)

Action Ref	Meeting Date(s)	Minute Ref	Action	Reporting Month	Owner	Status Update
0107	05/01/21	5.0	National Grid (CW <i>i</i>) to provide documented explanation and diagrams detailing the relationship between the SO /TO and TS/non-TS revenue		National Grid (CW <i>i</i>)	Closed

			services.			
0110	05/10/21	5.0	<i>Long Term Revenue Forecasts:</i> National Grid (CWi) to provide an update on increased Shrinkage costs and the timing effect on future prices		National Grid (CWi)	Closed
1101	02/11/21	3.1	National Grid (CWi) to provide an update of the bad debt process from a transportation and balancing costs perspective.		National Grid (CWi)	Closed
0112	07/12/21	3.1	Workgroup participants to review the Issues Tracker and email Joint Office with any comments.	February 2022	Workgroup	Carried forward
0212	07/12/21	4.1	FCC Methodology: National Grid (LJo) to consider if the Exit graph, (FCC Original (2020/21) v Revised Methodology (2021/22): Gas Year Oct 20 – Sep 21 - EXIT), has been impacted by Covid.		National Grid (CWi)	Closed
0312	07/12/21	4.1	FCC Methodology: National Grid (LJo) to consider if the graphs can be presented in a lower granularity, such as DN's vs Power Stations		National Grid (CWi)	Closed
0412	07/12/21	4.2	St Fergus Compression Costs: National Grid (CWi) to investigate the extent to which the out-turn compression cost may vary from forecast and the effect on the SO charges.		National Grid (CWi)	Closed

UNC Workgroup 0796 Minutes
Revision to the Determination of National Grid NTS Target Revenue
for Transportation Charging
Tuesday 11 January 2022
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
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Julie Cox	(JCx)	Energy UK
Kamla Rhodes	(KR)	ConocoPhillips
Kieran McGoldrick	(KM)	National Grid
Laura Johnson	(LJo)	National Grid
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Richard Fairholme	(RF)	Uniper
Ritchard Hewitt	(RHe)	BBL

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0796/110122>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 February 2022.

1.0 Outline of Modification

EF explained this Modification had a Pre-Modification discussion at last month's NTSCMF meeting and was submitted to the UNC Modification Panel on 16 December 2021.

Colin Williams (CWi) introduced the Modification and explained this Modification would revise the method of the determination of National Grid NTS Allowed Revenue for a Gas Year under the NTS Transportation Charging Methodology (TPD Section Y Part A-I). The purpose of this change is to achieve a greater degree of year-on-year stability in the pricing of Transmission Services.

CWi proceeded to walkthrough an online viewing of the Modification picking out the salient points. For further detail on this Modification please refer to the published version here: <https://www.gasgovernance.co.uk/0796>.

Why Change

CWi clarified that the existing mechanism for determination of Allowed Revenue due to be collected over the course of the Gas Year only takes into account the Allowed Revenue for the Formula Year which ends in the relevant Gas Year without taking account of the Allowed Revenue for the following Formula Year (the first half of which coincides with the latter half of the relevant Gas Year). This has led to significant year-on-year changes in the Capacity Reference Prices which is detrimental to market confidence.

As the Formula Year Allowed Revenue value will change year-on-year, National Grid have concluded that it would be better for the calculation of Revenue to be collected over the course of a Gas Year to take account of the Formula Year revenues in both Formula Years that coincide with the relevant Gas Year.

The aim of the Modification proposal is to bring some reduction of potential volatility to target revenues used for the purposes of setting Transmission Services charges only. It would not remove such volatility but will reduce from the current situation. CWi clarified this will mitigate the need for any reactive measures so National Grid would not expect to implement any deferral.

CWi confirmed the intention is to present the Workgroup Report to the February 2022 UNC Modification Panel.

Solution

CWi summarised the solution and advised it is intended to apply an updated method that will take a proportion of revenue from each of the Regulatory Years (RY) that bridge a Tariff Period (Gas Year). This focuses on considering two revenue values when setting Transmission Services Entry and Exit charges for a Gas Year:

- The remaining revenues expected across October to March for the RY that ends in the Gas Year; and
- A proportion of revenue from the available allowed revenue for April to September for the Regulatory Year that starts in the Gas Year

CWi further clarified that if over recovering on Entry, the benefit should offset the tariffs for the following year by removing it, therefore softening the volatility across years and not looking at it in one instance.

Questions:

When Debra Hawkin (DHa) asked if the 45% example would vary from year to year, CWi clarified that it is not a standardised percentage and will potentially vary but hopefully not by too much, maybe between winter and summer.

NS asked why National Grid are not using the relevant formula year for that calculation. CWi advised he is using the winter of the Gas Year the revenue is recovering, relative to the Regulatory Year, which he believes seems like a reasonable proxy and suggested it is tested

over a few years. CWi further clarified he is trying to keep the calculation as simple as possible with not too much sensitivity to National Grid making decisions that people may not agree with.

NS said that if the forecast suggests something might be changing across the two formula years, a profile might be developed that overlaps with the 2nd half of the gas year. It was noted that this would depend on whether you have confidence in the ten-year forecasts.

EF stated that simplicity and transparency that can be provided, gives a level of comfort.

EF noted there is no Legal Text as yet and confirmed he will prepare the Workgroup Report based on the discussions held so far.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Consider Consumer Impact

This is covered in the Modification. CWi summarised that this Modification does not change over time the amount of money that would be collected, however, there is a change to the profile in how it would be collected. The improved confidence and reduced volatility of charges should result in some improvements in competition and benefits for consumers.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at <http://www.gasgovernance.co.uk/0796/>

3.0 Next Steps

EF confirmed that CWi will reflect on comments made today.

EF will reflect the comments made today in the WGR.

4.0 Any Other Business

None.

5.0 Diary Planning

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No outstanding actions					